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Probe Shows CIA Had N.Y. Fund 'Front'

New York Herald Tribune Service

WASHINGTON, D.C. — The Central Intelligence Agency (CIA) contributed money to a New York City tax-exempt foundation and presumably used it as a "front," it was disclosed Monday.

As a result of the revelation by Rep. Wright Patman, D-Tex., the usefulness of the J. M. Kaplan Fund, Inc., to the CIA apparently has ended.

THE FUND has assets of about \$15 million and was created in 1946 by Jacob Merrill Kaplan to "strengthen democracy at home and abroad through a program of general assistance to benevolent, charitable, educational, scientific and literary activities..."

Kaplan, 71, is former president of the Welch Grape Juice Co. and Hearn Department Stores, Inc., of New York, a director of Freedom House, and a trustee of the New School for Social Research.

How much money the CIA poured into the Kaplan Fund, and how and for what purposes the money was spent, was hidden behind a CIA "no comment." It was understood, however, that the CIA-fund "arrangement" had existed since 1959 and was ended sometime this year.

PATMAN, chairman of a House Small Business subcommittee now investigating tax-exempt foundations for possible law violations, met yesterday behind closed doors with members of his group and unnamed representatives of the CIA.

Afterward, Patman issued a statement saying the subcommittee was dropping any CIA aspect of the Kaplan Fund probe. There simply wasn't any connection of interest to the subcommittee, the statement said.

This was in contrast to Patman's statement several hours earlier that the CIA had "trifled with" him and he felt no obligation to conceal the fact that it had funneled money into the Kaplan fund.

THE PROBE of the Kaplan Fund began when the subcommittee learned the foundation had been under investigation by the New York office of the Internal Revenue Service (IRS) since 1957. In that year, and again in 1958, the New York office recommended to Washington IRS headquarters revocation of the fund's tax-exempt status.

At a subcommittee hearing Aug. 10, Putnam said the revocation was asked because the fund reputedly engaged in stock speculation and because it used funds to "take over" business firms.